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## The Record and Improvability of Economic Forecasting

Victor Zarnowitz

**NBER Working Paper No. 2099 (Also Reprint No. r0880)  
Issued in December 1986**

**NBER Program(s):** [Economic Fluctuations and Growth](#)

Have macroeconomic forecasts grown more or less accurate over time? This paper assembles, examines, and interprets evidence bearing on this question. Contrary to some critics, there are no indications that U.S. forecasts have grown systematically worse, that is, less accurate, more biased, or both. Neither do any definite trends in a positive direction emerge from comparisons of annual and quarterly multiperiod forecasts and time-series projections for the principal aggregative variables. The argument is developed and to some extent documented that major failures of forecasting are related to the incidence of slowdowns and contractions in general economic activity. Not only the forecasts of real GNP growth and unemployment but also those of nominal GNP growth and inflation often go seriously wrong when such setbacks occur. Forecasters tend to rely heavily on the persistence of trends in spending, output, and the price level. More attention to data and techniques that are sensitive to business cycle movements and turning points could help improve their record.



Machine-readable bibliographic record - [MARC](#), [RIS](#), [BibTeX](#)

Document Object Identifier (DOI): [10.3386/w2099](#)

Published:

- ▶ Zarnowitz, Victor. "The Record and Improvability of Economic Forecasting." *Economic Forecasts: A Worldwide Survey*, Vol. 3, No. 12, (December 1986), pp. 22-30.
- ▶ [The Record and Improvability of Economic Forecasting](#), Victor Zarnowitz. in [Business Cycles: Theory, History, Indicators, and Forecasting](#), Zarnowitz. 1992

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